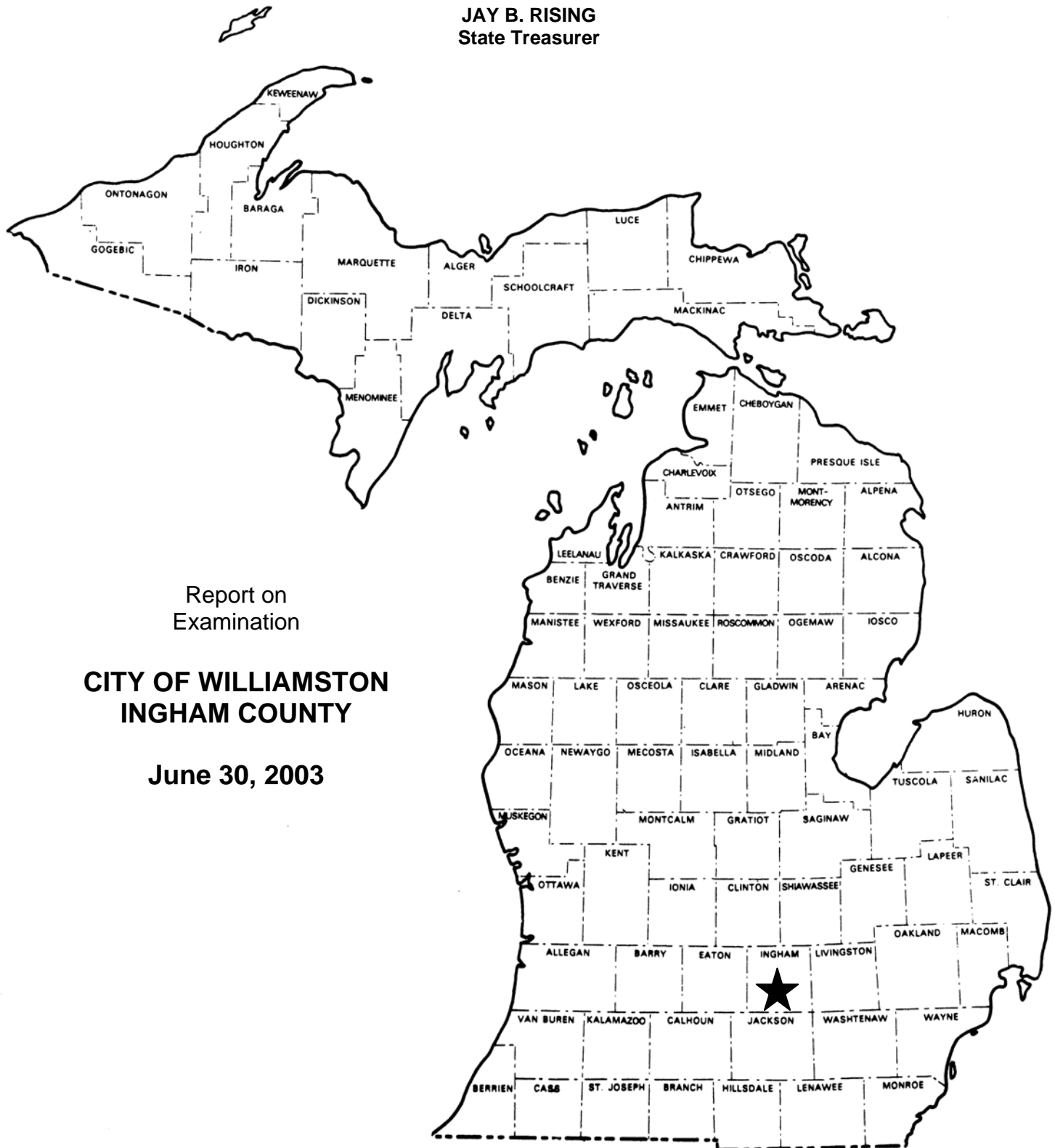


STATE OF MICHIGAN
JENNIFER M. GRANHOLM, Governor
DEPARTMENT OF TREASURY

JAY B. RISING
State Treasurer



Local Audit and Finance Division
Bureau of Local Government Services

CITY OF WILLIAMSTON

CITY COUNCIL

Kenneth V. Zichi
Mayor

Larry Wittrup
Mayor Pro-tem

James DeForest
George Monroe
Robert Hanna

Steve Shaw
Lloyd Hamlin

Lisa Hitchcock
Manager

Alan Dolley
Treasurer

CITY POPULATION--2000
3,441

STATE EQUALIZED VALUATION--2002
\$103,890,130



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

JENNIFER M. GRANHOLM
GOVERNOR

JAY B. RISING
STATE TREASURER

August 22, 2003

Honorable Mayor and City Council
City of Williamston
161 East Grand River Avenue
Williamston, Michigan 48895

Independent Auditor's Report

Dear Council Members:

We have audited the accompanying general purpose financial statements of the City of Williamston, Michigan, as of and for the year ended June 30, 2003 as listed in the Table of Contents. These general purpose financial statements are the responsibility of the City of Williamston's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Williamston as of June 30, 2003 and the results of its operations and the cash flows of the proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the combining and individual fund financial statements referred to above present fairly, in all material respects, the financial position of each of the individual funds of the City of Williamston at June 30, 2003, and the results of operations of such funds and the cash flows of individual proprietary fund types of the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated August 22, 2003 on our consideration of the City of Williamston's internal control over financial reporting and our test on its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the City of Williamston, taken as a whole. The accompanying supplemental and related information presented as Exhibits H through P are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Local Audit & Finance

Local Audit and Finance Division
Bureau of Local Government Services
Michigan Department of Treasury

CITY OF WILLIAMSTON

TABLE OF CONTENTS

Page

GENERAL PURPOSE FINANCIAL STATEMENTS

EXHIBIT A--Combined Balance Sheet--All Fund Types, Account Groups and Discretely Presented Component Units.....	1
EXHIBIT B--Combined Statement of Revenues, Expenditures and Changes in Fund Balances--All Governmental Fund Types and Discretely Presented Component Units.....	3
EXHIBIT C--Combined Statement of Revenues, Expenditures and Changes in Fund Balances--Budget and Actual--General Fund, Special Revenue Funds and Debt Service Funds.....	4
EXHIBIT D--Combined Statement of Revenues, Expenses and Changes in Retained Earnings--All Proprietary Fund Types.....	5
EXHIBIT E--Combined Statement of Cash Flows--All Proprietary Fund Types.....	6
EXHIBIT F--Combining Balance Sheet--Component Units.....	7
EXHIBIT G--Combining Statement of Revenues, Expenditures and Changes in Fund Balances--Component Units	8
NOTES TO FINANCIAL STATEMENTS.....	9

SUPPLEMENTAL SCHEDULES

EXHIBIT H--Statement of Revenues and Other Financing Sources Budget and Actual--General Fund	43
EXHIBIT I--Statement of Expenditures and Other Financing Uses Budget and Actual--General Fund.....	45
EXHIBIT J--Combining Balance Sheet--Special Revenue Funds	47
EXHIBIT K--Combining Statement of Revenues, Expenditures and Changes in Fund Balances--Special Revenue Funds	48

COUNTY OF WILLIAMSTON

TABLE OF CONTENTS
(CONTINUED)

	<u>Page</u>
EXHIBIT L--Combining Balance Sheet--Debt Service Funds	49
EXHIBIT M--Combining Statement of Revenues, Expenditures and Changes in Fund Balances--Debt Service Funds	50
EXHIBIT N--Combining Balance Sheet--Enterprise Funds	51
EXHIBIT O--Combining Statement of Revenues, Expenses and Changes in Retained Earnings--Enterprise Funds	52
EXHIBIT P--Combining Statement of Cash Flows--Enterprise Funds	53
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <u>Government Auditing Standards</u>	54
Comments and Recommendations	56

CITY OF WILLIAMSTON
COMBINED BALANCE SHEET--ALL FUND TYPES, ACCOUNT GROUPS
AND DISCRETELY PRESENTED COMPONENT UNITS
June 30, 2003

EXHIBIT A

	GOVERNMENTAL FUNDS			PROPRIETARY FUNDS	FIDUCIARY FUNDS
	General	Special Revenue	Debt Service	Enterprise	Tax Collection Agency
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ 144,088	\$ 124,509	-	\$ 433,208	\$ 26,545
Restricted Cash for Debt Covenants	-	-	-	111,210	-
Investments	192,411	80,810	-	860,220	-
Receivables					
Special Assessments	1,292	2,649	-	306,119	-
Accounts	19,142	-	-	163,564	-
Due From					
State	120,267	165,727	-	-	-
Other Funds--Primary Government	166,213	82,104	\$ 25,000	-	-
Other Funds--Component Units	37,421	-	-	12,972	-
Prepaid Expenses	17,977	-	-	-	-
Deferred Charge	-	-	-	89,147	-
Property, Plant and Equipment					
Net of Depreciation	-	-	-	12,197,228	-
Amount to be Provided for Retirement of Long-Term Debt	-	-	-	-	-
Total Assets	\$ 698,811	\$ 455,799	25,000	\$ 14,173,668	\$ 26,545
<u>LIABILITIES AND FUND EQUITIES</u>					
Liabilities					
Accounts Payable	\$ 29,906	\$ 37,974	-	\$ 18,176	-
Accrued Interest Payable	-	-	-	42,436	-
Accrued Liabilities	22,703	1,058	-	7,074	-
Deposits Payable					
Escrow	(14,013)	-	-	-	-
Customer Deposits	36	-	-	48,374	-
Due to					
Other Governmental Units	-	-	-	-	\$ 23,126
Other Funds--Primary Government	70,001	65,506	\$ 2,578	131,813	3,419
Other Funds--Component Units	14,297	-	-	-	-
Deferred Revenue	1,292	168,376	-	-	-
Bonds and Notes Payable	-	-	-	4,552,260	-
Mortgage Payable					
Installment Purchase Payable				118,000	-
Vested Employee Benefits Payable	-	-	-	4,528	-
Total Liabilities	124,222	272,914	2,578	4,922,661	26,545
Fund Equity					
Contributed Capital				8,048,147	
Investment in Fixed Assets					
Retained Earnings					
Unreserved				1,202,860	
Fund Balance					
Reserved for					
Debt Service			22,422		
Designated	2,000	10,000	-		
Unreserved/Undesignated	572,589	172,885			
Total Fund Equity	574,589	182,885	22,422	9,251,007	-
Total Liabilities and Fund Equity	\$ 698,811	\$ 455,799	\$ 25,000	\$ 14,173,668	\$ 26,545

The Notes to Financial Statements are an integral part of this statement.

CITY OF WILLIAMSTON
COMBINED BALANCE SHEET--ALL FUND TYPES, ACCOUNT GROUPS
AND DISCRETELY PRESENTED COMPONENT UNITS
June 30, 2003

EXHIBIT A
(CONTINUED)

June 30, 2003

ACCOUNT GROUPS	TOTAL (MEMORANDUM ONLY)		Discrete Component Units	TOTAL (MEMORANDUM ONLY)	
	General Fixed Assets	General Long-Term Debt		Reporting Entity	
ASSETS					
Cash and Cash Equivalents	-	-	\$ 728,350	\$ 617,175	\$ 1,345,525
Restricted Cash for Debt Covenants	-	-	111,210	-	111,210
Investments	-	-	1,133,441	691,704	1,825,145
Receivables	-	-	-	-	-
Special Assessments	-	-	310,060	-	310,060
Accounts	-	-	182,706	300,000	482,706
Due From	-	-	-	-	-
State	-	-	285,994	27,400	313,394
Other Funds--Primary Government	-	-	273,317	14,297	287,614
Other Funds--Component Units	-	-	50,393	379	50,772
Prepaid Expenses	-	-	17,977	-	17,977
Deferred Charge	-	-	89,147	-	89,147
Property, Plant and Equipment	-	-	-	-	-
Net of Depreciation	\$ 3,344,424	\$ 882,014	16,423,666	1,220,010	17,643,676
Amount to be Provided for	-	-	-	-	-
Retirement of Long-Term Debt	-	1,672,421	1,672,421	2,914,118	4,586,539
Total Assets	\$ 3,344,424	\$ 2,554,435	\$ 21,278,682	\$ 5,785,083	\$ 27,063,765
LIABILITIES AND FUND EQUITIES					
Liabilities	-	-	\$ 86,056	\$ 7,789	\$ 93,845
Accounts Payable	-	-	42,436	-	42,436
Accrued Interest Payable	-	-	30,835	1,449	32,284
Accrued Liabilities	-	-	-	-	-
Deposits Payable	-	-	-	-	-
Escrow	-	-	(14,013)	-	(14,013)
Customer Deposits	-	-	48,410	3,870	52,280
Due to	-	-	-	-	-
Other Governmental Units	-	-	23,126	-	23,126
Other Funds--Primary Government	-	-	273,317	50,393	323,710
Other Funds--Component Units	-	-	14,297	379	14,676
Deferred Revenue	-	-	169,668	300,000	469,668
Bonds and Notes Payable	-	\$ 2,527,014	7,079,274	2,335,000	9,414,274
Mortgage Payable	-	-	-	526,700	526,700
Installment Purchase Payable	-	-	118,000	52,418	170,418
Vested Employee Benefits Payable	-	27,421	31,949	-	31,949
Total Liabilities	\$ -	2,554,435	7,903,355	3,277,998	11,181,353
Fund Equity	-	-	-	-	-
Contributed Capital	-	-	8,048,147	-	8,048,147
Investment in Fixed Assets	3,344,424	-	3,344,424	1,220,010	4,564,434
Retained Earnings	-	-	-	-	-
Unreserved	-	-	1,202,860	-	1,202,860
Fund Balance	-	-	-	-	-
Reserved for	-	-	-	-	-
Debt Service	-	-	22,422	-	22,422
Designated	-	-	12,000	-	12,000
Unreserved/Undesignated	-	-	745,474	1,287,075	2,032,549
Total Fund Equity	3,344,424	-	13,375,327	2,507,085	15,882,412
Total Liabilities and Fund Equity	\$ 3,344,424	\$ 2,554,435	\$ 21,278,682	\$ 5,785,083	\$ 27,063,765

The Notes to Financial Statements are an integral part of this statement.

CITY OF WILLIAMSTON
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNITS
For the Year Ended June 30, 2003

EXHIBIT B

	GOVERNMENTAL FUNDS			TOTAL (MEMORANDUM ONLY)		TOTAL (MEMORANDUM ONLY)
	General	Special Revenue	Debt Service	Primary Government	Discrete Component Units	Reporting Entity
Revenues						
Taxes and Penalties	\$ 1,166,859	-	-	\$ 1,166,859	\$ 865,862	\$ 2,032,721
Licenses and Permits	19,608	\$ 86,318	-	105,926	-	105,926
Federal Grants	816	-	-	816	-	816
State Grants	364,551	35,094	-	399,645	-	399,645
Charges for Services	14,163	3,238	-	17,401	-	17,401
Fines and Forfeitures	11,434	-	-	11,434	-	11,434
Interest and Rentals	41,726	3,919	\$ 2	45,647	80,093	125,740
Other Revenues	98,481	3,634	-	102,115	158,744	260,859
Total Revenues	1,717,638	132,203	2	1,849,843	1,104,699	2,954,542
Expenditures						
Current						
Legislative	12,339	-	-	12,339	-	12,339
General Government	548,275	-	-	548,275	-	548,275
Public Safety	478,729	97,724	-	576,453	-	576,453
Public Works	238,855	1,529,889	-	1,768,744	109,825	1,878,569
Health and Welfare	-	-	-	-	71,944	71,944
Recreation and Cultural	64,916	-	-	64,916	-	64,916
Other	5,692	-	-	5,692	-	5,692
Capital Outlay	210,364	-	-	210,364	47,651	258,015
Debt Service						
Principal	74,138	-	30,000	104,138	119,599	223,737
Interest	53,542	3,750	73,671	130,963	159,415	290,378
Total Expenditures	1,686,850	1,631,363	103,671	3,421,884	508,434	3,930,318
Excess of Revenues Over (Under) Expenditures	30,788	(1,499,160)	(103,669)	(1,572,041)	596,265	(975,776)
Other Financing Sources (Uses)						
Proceeds From Bond Issuance	-	250,000	-	250,000	-	250,000
Operating Transfers In						
Primary	79,750	134,568	25,425	239,743	-	239,743
Component Unit	101,600	-	100,130	201,730	-	201,730
Operating Transfers (Out)						
Primary	(144,068)	(25,425)	-	(169,493)	(214,702)	(384,195)
Component Unit	-	-	-	-	-	-
Total Other Financing Sources (Uses)	37,282	359,143	125,555	521,980	(214,702)	307,278
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Financing Other (Uses)	68,070	(1,140,017)	21,886	(1,050,061)	381,563	(668,498)
Fund Balance (Deficit)--July 1, 2002	506,519	1,322,902	536	1,829,957	905,512	2,735,469
Fund Balance (Deficit)--June 30, 2003	\$ 574,589	\$ 182,885	\$ 22,422	\$ 779,896	\$ 1,287,075	\$ 2,066,971

The Notes to Financial Statements are an integral part of this statement

CITY OF WILLIAMSTON
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES—BUDGET AND ACTUAL—GENERAL FUND, SPECIAL REVENUE FUNDS AND DEBT SERVICE FUND
For the Year Ended June 30, 2003

	GENERAL FUND			SPECIAL REVENUE FUNDS		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues						
Taxes and Penalties	\$ 1,158,500	\$ 1,166,859	\$ 8,359	-	-	-
Licenses and Permits	16,300	19,608	3,308	\$ 102,550	\$ 86,318	\$ (16,232)
Federal Grants	1,000	816	(184)	-	-	-
State Grants	360,260	364,551	4,291	206,526	35,094	(171,432)
Charges for Services	16,500	14,163	(2,337)	12,760	3,238	(9,522)
Fines and Forfeitures	7,250	11,434	4,184	-	-	-
Interest and Rentals	51,315	41,726	(9,589)	1,200	3,919	2,719
Other Revenues	30,140	98,481	68,341	500	3,634	3,134
Total Revenues	1,641,265	1,717,638	76,373	323,536	132,203	(191,333)
Expenditures						
Legislative	15,975	12,339	3,636	-	-	-
General Government	580,962	548,275	32,687	-	-	-
Public Safety	475,200	478,729	(3,529)	115,000	97,724	17,276
Public Works	290,435	238,855	51,580	516,702	1,529,889	(1,013,187)
Recreation and Cultural	84,884	64,916	19,968	-	-	-
Other	2,600	5,692	(3,092)	-	-	-
Capital Outlay	163,470	210,364	(46,894)	-	-	-
Debt Service						
Principal	110,408	74,138	36,270	-	-	-
Interest	-	53,542	(53,542)	-	3,750	(3,750)
Total Expenditures	1,723,934	1,686,850	37,084	631,702	1,631,363	(999,661)
Excess of Revenues Over (Under) Expenditures	(82,669)	30,788	113,457	(308,166)	(1,499,160)	(1,190,994)
Other Financing Sources (Uses)						
Proceeds From Bond Issuance	-	-	-	-	250,000	250,000
Operating Transfers In						
Primary Government	79,750	79,750	-	161,000	134,568	(26,432)
Component Units	96,600	101,600	5,000	-	-	-
Operating Transfers (Out)—Primary Government	(140,500)	(144,068)	(3,568)	(55,425)	(25,425)	30,000
Total Other Financing Sources (Uses)	35,850	37,282	1,432	105,575	359,143	253,568
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(46,819)	68,070	114,889	(202,591)	(1,140,017)	(937,426)
Fund Balance (Deficit)—July 1, 2002	506,519	506,519	-	1,322,902	1,322,902	-
Fund Balance (Deficit)—June 30, 2003	\$ 459,700	\$ 574,589	\$ 114,889	\$ 1,120,311	\$ 182,885	\$ (937,426)

CITY OF WILLIAMSTON
COMBINED STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN RETAINED EARNINGS
ALL PROPRIETARY FUND TYPES
For the Year Ended June 30, 2003

EXHIBIT D

	<u>Enterprise</u>
Operating Revenues	
Water Sales	\$ 571,332
Sewage Disposal	761,338
Other	<u>37,541</u>
Total Operating Revenues	<u>1,370,211</u>
Operating Expenses	
General and Administration	10,074
Salaries and Fringes	291,507
Contractual Services	322,368
Operation and Maintenance	176,120
Utilities	92,088
Insurance	26,862
Depreciation	<u>338,612</u>
Total Operating Expenses	<u>1,257,631</u>
Operating Income (Loss)	<u>112,580</u>
Nonoperating Revenues (Expenses)	
Interest Income	17,652
Special Assessments--Enterprise	23,317
Interest Expense	<u>(253,641)</u>
Total Nonoperating Revenues (Expenses)	<u>(212,672)</u>
Net Income (Loss) Before Operating Transfers	<u>(100,092)</u>
Operating Transfers	
Operating Transfers In	47,348
Operating Transfers In From Component Units	12,972
Operating Transfers (Out)	<u>(117,598)</u>
Total Operating Transfers	<u>(57,278)</u>
Income (Loss)	<u>(157,370)</u>
Retained Earnings--July 1, 2002	<u>1,360,230</u>
Retained Earnings--June 30, 2003	<u><u>\$ 1,202,860</u></u>

The Notes to Financial Statements are an integral part of this statement.

**CITY OF WILLIAMSTON
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
For the Year Ended June 30, 2003**

EXHIBIT E

	<u>Enterprise</u>
Cash Flows From Operating Activities	
Charges for Services	\$ 1,392,828
Miscellaneous	37,539
Goods and Services Purchased	(774,528)
Salaries and Fringes	<u>(290,697)</u>
Net Cash Provided by Operating Activities	<u>365,142</u>
Cash Flows From Noncapital Financing Activities	
Customer Deposits	40,511
Operating Transfers In From Other Funds	47,348
Operating Transfers In From Component Units	12,972
Operating Transfers (Out) to Other Funds	(117,598)
Due From Other Funds	149,327
Due to Other Funds	<u>15,500</u>
Net Cash Flows From Noncapital Financing Activities	<u>148,060</u>
Cash Flows From Capital and Related Financing Activities	
Collection of Customer Assessments	23,318
Acquisition of Capital Assets	(92,898)
Lease Purchase Agreement	
Principal Paid on Debt	(211,788)
Interest Paid on Debt	(255,508)
Deferred Charge	<u>5,943</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(530,933)</u>
Cash Flows From Investing Activities	
Interest on Cash Equivalents	17,650
Purchase of Investments	<u>(10,404)</u>
Net Cash Provided by Investing Activities	<u>7,246</u>
Net Increase in Cash and Cash Equivalents	(10,485)
Cash and Cash Equivalents at Beginning of the Year	<u>554,903</u>
Cash and Cash Equivalents at End of the Year	<u><u>\$ 544,418</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income (Loss)	\$ 112,580
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation	338,612
Changes in Assets and Liabilities	
Decrease (Increase) in Accounts Receivable	60,163
Increase (Decrease) in Accounts Payable	(147,021)
Increase (Decrease) in Accrued Liabilities	<u>808</u>
Net Cash Provided by Operating Activities	<u><u>\$ 365,142</u></u>

The Notes to Financial Statements are an integral part of this statement.

CITY OF WILLIAMSTON
COMBINING BALANCE SHEET--COMPONENT UNITS
June 30, 2003

EXHIBIT F

	Economic Development Corporation	Downtown Development Authority	Tax Increment Finance Authority 2A	Tax Increment Finance Authority 2B	Total
<u>ASSETS</u>					
Cash	\$ 20,022	\$ 226,182	\$ 227,692	\$ 143,279	\$ 617,175
Investments	9,761	10,163	183,054	488,726	691,704
Accounts Receivable	300,000	-	-	-	300,000
Due From					
Other Funds--Primary Government	-	14,297	-	-	14,297
Other Funds--Component Units	-	-	379	-	379
State	-	27,400	-	-	27,400
Property Plant and Equipment					
Net of Accumulated Depreciation	415,744	627,216	62,871	114,179	1,220,010
Amount to be Provided for					
Retirement of Long-Term Debt	526,700	2,387,418	-	-	2,914,118
Total Assets	<u>\$ 1,272,227</u>	<u>\$ 3,292,676</u>	<u>\$ 473,996</u>	<u>\$ 746,184</u>	<u>\$ 5,785,083</u>
<u>LIABILITIES AND FUND BALANCE</u>					
Liabilities					
Accounts Payable	\$ 2,105	\$ 3,154	\$ 379	\$ 2,151	\$ 7,789
Deposits Payable	3,870	-	-	-	3,870
Accrued Liabilities	-	1,449	-	-	1,449
Due to Component Units	-	-	-	379	379
Due to Primary Government	4,363	-	26,177	19,853	50,393
Deferred Revenue	300,000	-	-	-	300,000
General Obligation Bonds		2,335,000	-	-	2,335,000
Mortgage Payable	526,700	-	-	-	526,700
Installment Purchase Payable		52,418	-	-	52,418
Total Liabilities	<u>837,038</u>	<u>2,392,021</u>	<u>26,556</u>	<u>22,383</u>	<u>3,277,998</u>
Fund Equity					
Investment in General Fixed Assets	415,744	627,216	62,871	114,179	1,220,010
Fund Balance					
Undesignated	19,445	273,439	384,569	609,622	1,287,075
Total Fund Equity	<u>435,189</u>	<u>900,655</u>	<u>447,440</u>	<u>723,801</u>	<u>2,507,085</u>
Total Liabilities and Fund Equity	<u>\$ 1,272,227</u>	<u>\$ 3,292,676</u>	<u>\$ 473,996</u>	<u>\$ 746,184</u>	<u>\$ 5,785,083</u>

The Notes to Financial Statements are an integral part of this statement.

CITY OF WILLIAMSTON
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES—COMPONENT UNITS
For the Year Ended June 30, 2003

EXHIBIT G

	Economic Development Corporation	Downtown Development Authority	Tax Increment Finance Authority 2A	Tax Increment Finance Authority 2E	Total
<u>REVENUES</u>					
Taxes	-	\$ 379,666	\$ 214,065	\$ 272,131	\$ 865,862
Interest and Rents	\$ 69,838	1,674	3,893	4,688	80,093
Other Revenue	158,293	451	-	-	158,744
Total Revenues	228,131	381,791	217,958	276,819	1,104,699
<u>EXPENDITURES</u>					
Public Works	-	68,288	41,537	-	109,825
Health and Welfare	22,641	-	-	49,303	71,944
Capital Outlay	46,230	-	-	1,421	47,651
Debt Service					
Principal	36,750	82,849	-	-	119,599
Interest and Fiscal Fees	31,615	127,800	-	-	159,415
Total Expenditures	137,236	278,937	41,537	50,724	508,434
Excess of Revenues Over (Under) Expenditures	90,895	102,854	176,421	226,095	596,265
Other Financing Sources (Uses)					
Operating Transfers (Out) to Primary Government	(95,000)	(21,600)	(32,972)	(65,130)	(214,702)
Total Other Financing Sources (Uses)	(95,000)	(21,600)	(32,972)	(65,130)	(214,702)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(4,105)	81,254	143,449	160,965	381,563
Fund Balances--July 1, 2002	23,550	192,185	241,120	448,657	905,512
Fund Balances--June 30, 2003	\$ 19,445	\$ 273,439	\$ 384,569	\$ 609,622	\$ 1,287,075

The Notes to Financial Statements are an integral part of this statement.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE A--DESCRIPTION OF OPERATIONS AND FUND TYPES

The City of Williamston encompasses an area of approximately 3.7 square miles and is located approximately 20 miles east of Lansing and 65 miles west of Detroit. ✓

The city was incorporated in 1963 as a home rule city under the council-manager form of government. The city council consists of seven council members who are elected at large. Every two years four council members are elected. The mayor, who is recognized as the chief executive officer of the city, and the mayor pro-tem are elected by the council from among its members. The city manager is the administrative agent of the council and is appointed by the council to serve at its pleasure. All other city administrative officers are appointed by the city manager. ✓

Reporting Entity

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," these financial statements present the city (the primary government) and its component units. The criteria established by GASB for determining the reporting entity includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading, if data were not included.

DISCRETELY PRESENTED COMPONENT UNITS

The following component units are reported within the "component units" column in the combined financial statements. The discretely presented component unit is an entity that is legally separate from the city, but for which the city is financially accountable, or its relationship with the city is such that exclusion would cause the city's financial statements to be misleading or incomplete.

Downtown Development Authority

The Downtown Development Authority was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The authority's governing body, which consists of nine individuals, is selected by the city council. In addition, the authority's budget is subject to approval by the city council. ✓

Economic Development Corporation

The Economic Development Corporation was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the city so as to provide needed services and facilities of such enterprises to the residents of the city. The corporation's governing body, which consists of nine individuals, is selected by the city council. ✓

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE A--DESCRIPTION OF OPERATIONS AND FUND TYPES (Continued)

Tax Increment Finance Authorities (2A and 2B)

The Tax Increment Finance Authorities (2A and 2B) were created to prevent urban deterioration, to encourage development and activity, and to encourage neighborhood revitalization and historic preservation. The authorities' governing body is the same as the Economic Development Corporation that is selected by the city council and consists of nine individuals. ✓

Complete financial statements of the individual component units can be obtained from their respective administrative offices located in city hall:

Administrative Offices

City of Williamston
161 East Grand River Avenue
Williamston, MI 48895 ✓

Based on the foregoing criteria, the financial statements of the following organizations are excluded from the accompanying financial statements:

JOINT VENTURES

The city is a member of the Northeast Ingham Emergency Service Authority (NIESA) which provides emergency services to the residents of Northeast Ingham County. The participating communities provided funding for its operations until December 1998, at which time a millage was levied to provide annual funding. The city is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements for the authority can be obtained from the Community Fire Board offices at 627 East Grand River, Williamston, Michigan.

BASIS OF PRESENTATION

The accounts of the government are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

The financial activities of the city are recorded in separate funds and account groups, categorized as follows:

CITY OF WILLIAMSTON
NOTES TO FINANCIAL STATEMENTS

NOTE A--DESCRIPTION OF OPERATIONS AND FUND TYPES (Continued)

GOVERNMENTAL FUNDS

General Fund

This fund is used to account for all financial resources except those provided for in another fund. Revenues are primarily derived from property taxes, State and Federal aid, and charges for services to provide for the administration and operation of: (1) general city governmental departments, boards and commissions; (2) law enforcement; and (3) public works. The fund includes the general operating expenditures of the local unit.

Special Revenue Funds

These funds are used to account for specific revenue (other than expendable trusts or major capital projects) derived from State and Federal grants, general fund appropriations and charges for services which are to be expended for specific purposes as dictated by legal, regulatory or administrative requirements.

Debt Service Funds

These funds are used to record revenues that are restricted for the payment of principal and interest on debt recorded in the general long-term debt account group. There is only one debt service fund, therefore, there are no combining financial statements presented for this fund type.

PROPRIETARY FUNDS

Enterprise Funds

These funds account for operations: (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

FIDUCIARY FUNDS

Trust and Agency Funds

These funds account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The only agency fund is the Current Tax Collection Agency Fund.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE A--DESCRIPTION OF OPERATIONS AND FUND TYPES (Continued)

ACCOUNT GROUPS

General Fixed Asset Account Group

This account group presents the fixed assets of the city utilized in its general operations, other than those fixed assets recorded in proprietary funds.

General Long-Term Debt Account Group

This account group presents the balance of general obligation long-term debt that is not recorded in proprietary or trust funds.

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures (expenses) are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. The accounting policies of the city conform to generally accepted accounting principles as applicable to governmental units.

Governmental Funds

All governmental fund types (general, special revenue and debt service) use a financial resources measurement focus and are accounted for using the modified accrual basis of accounting. The agency fund also uses the modified accrual basis of accounting. Under modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Current expenditures are generally recorded when the fund liability is incurred, if measurable. Exceptions to this general rule include principal and interest on general long-term debt, which is recognized when due and accrued vacation and sick leave, which is recorded when payable from current available financial resources.

Proprietary Funds

The proprietary fund types (enterprise funds) are accounted for on a cost-of-service or "capital maintenance" measurement focus, using the accrual basis of accounting. Revenues are recorded when they are measurable and earned, and expenditures are recorded when the related liability is incurred. The government applies all applicable FASB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements in accounting and reporting for its proprietary operations.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash, Cash Equivalents and Investments

For purposes of the statements of cash flows, demand deposits and short-term investments with a maturity date of three months or less when acquired are considered to be cash equivalents. Investments are stated at fair value. Restricted cash is also considered as cash and cash equivalents.

Prepaid Expenses

Prepaid expenses are payments in advance of the receipt of goods and services in an exchange transaction. Prepaid items are spread over a short period of time and are regularly recurring costs of operations.

Property Tax--Primary Government

The city's property tax is levied on each December 1 on the State taxable valuation of property located in the city as of the preceding December 31st. The city's 2002 ad valorem tax is levied and collectible on December 1, 2002. It is the city's policy to recognize revenue from this year's tax levy.

The 2002 State Equalized Valuation of the city totaled \$103,890,130 and the State Taxable Valuation was \$66,881,323 (net of captured taxes), on which ad valorem taxes levied consisted of 16.3054 mills and raising \$1,090,527 for city operations. This is recorded as revenue in the General Fund, which also includes industrial facility taxes, penalties, interest and administrative fee, for a total of approximately \$1,103,117 (net of tax tribunal refunds).

Inventory

No inventory is maintained, payment for supplies are recorded as expenditures at the time of purchase.

Fixed Assets and Depreciation

Fixed assets of all funds and component units are stated at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated. Governmental funds' fixed assets are recorded in the general fixed assets account group and are not depreciated, rather than in governmental funds.

Public domain (infrastructure) general fixed assets, consisting of certain improvements other than buildings, including roads, curbs, gutters, streets and sidewalks, drainage systems and lighting systems are not recorded.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Sewer and Water Fund's (enterprise fund) fixed assets are recorded in the respective fund. Costs relating to maintenance and repairs are charged to expenses, whereas those for renewals and betterments, when significant in amount are capitalized. Provisions for depreciation of fixed assets are computed on the straight-line method designed to amortize the cost of the assets over their estimated useful lives as follows:

Buildings	25 to 50 years
Furniture and Equipment	5 to 30 years

Deferred Revenue

Deferred revenue represents amounts that have met asset recognition criteria, but have not met revenue recognition criteria, such as grants received but not earned. Under the modified accrual basis of accounting, such amounts are measurable but not available.

Compensated Absences

The estimated current portion of the liability for vacation and sick leave benefits attributable to the city's funds is recorded as an expenditure and liability in the respective funds. The long-term portion is recorded in the general long-term debt account group. The amounts attributable to proprietary funds are charged to expense and a corresponding liability in the applicable fund.

Fund Equity

Contributed capital is recorded in proprietary fund for capital grants or contributions from customers or other funds. Reserves of fund equity represent portions of fund equity not appropriated for expenditure or legally segregated for a specific future use.

Designated fund balances represent tentative plans for future use of financial resources. See Note F for contributed capital detail.

Other Financing Sources (Uses)

The transfers of cash between the various city funds are budgeted but reported separately from revenues and expenditures as operating transfers in or out, unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing or borrowing funds.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of the following: assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Total Column on Combined Statements--Overview

The total columns on the combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation, because interfund eliminations have not been made in the aggregation of this data.

NOTE C--LEGAL COMPLIANCE

Budgets and Budgetary Accounting

Pursuant to statute, prior to the commencement of the fiscal year, the budget is legally enacted through adoption by the city council. Budgets are adopted for the General Fund and Special Revenue Funds as required by statute. Budgets are adopted on a basis consistent with the accounting principles followed in recording transactions. The city's annual budget is adopted on a departmental basis at the activity level. Budgeted amounts presented in the financial statements are as originally adopted and amended by the city council. Budgeted revenues and expenditures, as presented in Exhibits C and I, include any board authorized amendments to the original budget as adopted.

Excess of Expenditures Over Appropriations in Budgeted Funds

Public Act 2 of 1968, as amended, requires the adoption of a balanced budget for general and special revenue funds, as well as budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE C--LEGAL COMPLIANCE (Continued)

The city has not complied with certain provisions of Public Act 2 of 1968, as amended. Expenditures were incurred in excess of amounts appropriated in the amended budgets for the following activities or functions of the General Fund:

	<u>Budget</u>	<u>Actual</u>	<u>(Unfavorable)</u>
General Fund			
General Government			
Elections	\$ 4,900	\$ 5,713	\$ (813)
City Hall	105,407	108,836	(3,429)
Public Safety			
Police	475,200	478,729	(3,529)
Public Works			
City Tree Service	10,530	11,155	(625)
Other			
Miscellaneous	2,600	5,692	(3,092)
Capital Outlay			
Equipment Maintenance	94,000	153,641	(59,641)
Debt Service			
Interest		53,542	(53,542)
Other Financing Uses			
Operating Transfers (Out)			
Building Department	16,000	19,568	(3,568)
Major Street Fund			
Current			
Public Works	447,807	1,490,232	(1,042,425)
Debt Service			
Interest		3,750	(3,750)

NOTE D--BALANCE SHEET--CASH AND INVESTMENTS

Deposits are carried at cost. Deposits are in two financial institutions in the name of the city treasurer. Michigan Compiled Laws, Section 129.91, authorizes the city to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations, bonds, securities and other direct obligations of the United States; or any agency or instrumentality of the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications by not less than two standard rating services which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade.

Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. The city's deposits are in accordance with statutory authority. The city has adopted an investment policy in accordance with Public Act 196 of 1997 and has authorized only investments included in the above securities.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE D--BALANCE SHEET--CASH AND INVESTMENTS (Continued)

The Governmental Accounting Standards Board (GASB) Statement No. 3 risk disclosure for deposits are as follows:

	<u>Financial Institution Balance</u>		<u>Total</u>
	<u>Primary Government</u>	<u>Component Units</u>	
Deposits Insured (FDIC)	\$ 200,000	\$120,022	\$ 320,022
Uninsured	<u>777,240</u>	<u>495,344</u>	<u>1,272,584</u>
Total Deposits	<u>\$ 977,240</u>	<u>\$615,366</u>	<u>\$ 1,592,606</u>

	<u>Balance Sheet Carrying Amount</u>		<u>Total</u>
	<u>Primary Government</u>	<u>Component Units</u>	
Deposits Insured (FDIC)	\$ 200,000	\$120,022	\$ 320,022
Uninsured	638,930	497,153	1,136,083
Imprest Cash	<u>630</u>		<u>630</u>
Total Deposits	<u>\$ 839,560</u>	<u>\$617,175</u>	<u>\$ 1,456,735</u>

The city's insured deposits are insured by virtue of the city meeting certain specified criteria under FDIC regulations.

Investments

The city's investments consist of pooled cash invested by Bank One, which consists of pooled investment funds as follows:

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Primary Government		
Pooled Funds		
Money Market Fund	<u>\$1,133,441</u>	<u>\$1,133,441</u>
Total Primary Government Pooled Funds	<u>\$1,133,441</u>	<u>\$1,133,441</u>
Component Units		
Pooled Funds		
Money Market Fund	<u>\$ 691,704</u>	<u>\$ 691,704</u>
Total Component Unit Pooled Funds	<u>\$ 691,704</u>	<u>\$ 691,704</u>

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE D--BALANCE SHEET--CASH AND INVESTMENTS (Continued)

The nature of mutual fund investments, insurance annuities and pooled funds does not allow for risk-categorization, which is accordance with GASB Statement No. 3.

NOTE E--FIXED ASSETS

Primary Government

The primary government of the city's general fixed assets account group and the enterprise funds' fixed assets are summarized below:

General Fixed Assets Account Group

	Balance 07/01/02	Additions	Deletions	Balance 06/30/03
Land	\$ 242,350			\$ 242,350 ✓
Buildings	1,471,599	\$ 13,086		1,484,685
Improvements	611,925			611,925
Vehicles	260,182	268,381		528,563
Office Equipment	169,163	15,067	\$ 79,657	104,573
Machinery Equipment	485,448	71,445	184,565	372,328
Total Assets	<u>\$3,240,667</u>	<u>\$367,979</u>	<u>\$264,222</u>	<u>\$3,344,424</u>

Note: There was a \$157,315 reclassification of assets from Machinery Equipment to Vehicles during the fiscal year ended June 30, 2003.

Proprietary Funds

A summary of proprietary fund type property, plant, and equipment at June 30, 2003, as follows:

	Sewer Fund	Water Fund	Enterprise Total
Land	\$ 18,692	\$ 417,865	\$ 436,557
Buildings and Improvements	13,121,726	1,898,809	15,020,535
Equipment	144,885	392,278	537,163
Total Cost	13,285,303	2,708,952	15,994,255
Less: Accumulated Depreciation	<u>(3,098,229)</u>	<u>(698,798)</u>	<u>(3,797,027)</u>
Net Fixed Assets	<u>\$10,187,074</u>	<u>\$2,010,154</u>	<u>\$12,197,228</u>

Depreciation expense was \$283,467 and \$55,145 for the Sewer and Water Funds, respectively, for the year ended June 30, 2003.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE E--FIXED ASSETS (Continued)Discrete Component Units

The following is a summary of changes in the fixed assets account group for the component units at June 30, 2003:

Economic Development Corporation

	<u>Balance 07/01/02</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 06/30/03</u>
Land	\$ 301,780			\$ 301,780
Land Improvements	15,510	\$ 30,000		45,510
Building	52,224			52,224
Machinery/Equipment	<u>17,675</u>	<u>16,230</u>	<u>\$ 17,675</u>	<u>16,230</u>
Total Assets	<u>\$ 387,189</u>	<u>\$ 46,230</u>	<u>\$ 17,675</u>	<u>\$ 415,744</u>

Downtown Development Authority

Land	\$ 144,093			\$ 144,093
Land Improvements	314,823		\$ 2,168	312,655
Building	156,468			156,468
Machinery/Equipment	<u>14,000</u>	<u></u>	<u></u>	<u>14,000</u>
Total Assets	<u>\$ 629,384</u>	<u>\$ -</u>	<u>\$ 2,168</u>	<u>\$ 627,216</u>

Tax Increment Finance Authority 2A

Land	\$ 62,871			\$ 62,871
Total Assets	<u>\$ 62,871</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 62,871</u>

Tax Increment Finance Authority 2B

Land	\$ 112,694			\$ 112,694
Building	<u>1,485</u>	<u></u>	<u></u>	<u>1,485</u>
Total Assets	<u>\$ 114,179</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 114,179</u>

Total Component Unit
General Fixed Asset
Account Group

	<u>\$1,193,623</u>	<u>\$ 46,230</u>	<u>\$ 19,843</u>	<u>\$1,220,010</u>
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CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE F--CONTRIBUTED CAPITAL

Contributed capital at June 30, 2003, is summarized below:

	<u>Balance 07/01/02</u>	<u>Current Year Additions</u>	<u>Balance 06/30/03</u>
Contributed Capital			
Capital Contributed From All Sources Prior to June 30, 1993	\$4,273,621		\$4,273,621
Capital Contributed Since June 30, 1993, By Source			
Contributed by Developers	3,047,111		3,047,111
Special Assessment Levy	688,170		688,170
Contributed From Other Funds	<u>39,245</u>		<u>39,245</u>
Total	<u>\$8,048,147</u>	<u>\$ -</u>	<u>\$8,048,147</u>

NOTE G--ACCOUNTS RECEIVABLE

Primary Government

The accounts receivable recorded in several funds are shown as net of allowance for uncollectible accounts in the financial statements.

General Fund--The accounts receivables of \$19,412 was for June collections in transit at June 30, 2003 and is not offset by deferred revenue. The special assessment receivable of \$1,292 is for sidewalk assessments and is offset by deferred revenue.

Local Street Fund--The special assessment receivable of \$2,649 is for the Wallace Street special assessment and is offset by deferred revenue.

Sewer Fund--The receivable of \$86,754 consists of charges for service that were outstanding at June 30, 2003.

Water Fund--The receivable of \$76,810 consists of charges for service that were outstanding at June 30, 2003.

Component Units

Economic Development Corporation--The receivable of \$300,000 represents amount due on purchase agreements for the sale of land in the industrial park at June 30, 2003. The amount due is measurable but unavailable, thus is offset by deferred revenue.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE H--DUE FROM STATE

General Fund--The amount of \$120,267 represents revenue sharing collected by the state from March 2003 through June 2003 received in July and September of 2003 and is not offset by deferred revenue.

Major and Local Street Funds--The amount of \$125,355 and \$40,372 for the major and local streets funds, respectively, represents Michigan Transportation Fund distributions for August 2002 and October 2002 through June 30, 2003 withheld by the Michigan Department of Transportation due to the City's failure to file the Act 51 report timely. The city was unable to file the required report due to MDOT's failure to supply information necessary to complete the report. The amount due is measurable but unavailable, thus is offset by deferred revenue.

NOTE I--INTERFUND RECEIVABLES AND PAYABLES

The amounts of the interfund receivables and payables for the primary government and component units are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payables</u>
Primary Government		Primary Government	
General	\$ 3,419	Current Tax	\$ 3,419
General	28,403	Major Street	28,403
General	98,657	Water	98,657
General	33,156	Sewer	33,156
General	2,578	Act 342	2,578
Major Street	12,103	Local Street	12,103
Local Street	48,701	General	48,701
Building and Zoning	21,300	General	21,300
Act 342 Bonds	25,000	Local Street	25,000
Total Primary Government	<u>\$ 273,317</u>	Total Primary Government	<u>\$ 273,317</u>
Primary Government		Component Unit	
General	\$ 13,205	TIFA 2A	\$ 13,205
General	19,853	TIFA 2B	19,853
General	4,363	EDC	4,363
Water	12,972	TIFA 2A	12,972
Total Primary Government	<u>\$ 50,393</u>	Total Component Unit	<u>\$ 50,393</u>
Component Unit		Primary Government	
DDA	\$ 14,297	General	\$ 14,297
Total Component Unit	<u>\$ 14,297</u>	Total Primary Government	<u>\$ 14,297</u>
Component Unit		Component Unit	
TIFA 2A	\$ 379	TIFA 2B	\$ 379
Total Component Unit	<u>\$ 379</u>	Total Component Unit	<u>\$ 379</u>

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE J--TRANSFERS IN AND TRANSFERS (OUT)

The operating transfers from Exhibits B and D, for the year ended June 30, 2003, can be summarized as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers (Out)</u>
Primary Government		Primary Government	
General	\$ 42,750	Water	\$ 42,750
General	37,000	Sewer	37,000
Major Street	45,000	General	45,000
Local Street	70,000	General	70,000
Building and Zoning	19,568	General	19,568
2003 Act 175 Bond	425	Local Street	425
Act 342 Bond	25,000	Local Street	25,000
Sewer	29,548	Water	29,548
Water	9,500	General	9,500
Water	8,300	Sewer	8,300
Total Primary Government	<u>\$ 287,091</u>	Total Primary Government	<u>\$287,091</u>
Primary Government		Component Unit	
General	\$ 25,000	EDC	\$ 25,000
General	20,000	TIFA 2A	20,000
General	35,000	TIFA 2B	30,000
		TIFA 2B	5,000
General	21,600	DDA	21,600
Debt Service	30,130	TIFA 2B	30,130
Act 342	70,000	EDC	70,000
Sewer	12,972	TIFA 2A	12,972
Total Primary Government	<u>\$ 214,702</u>	Total Component Unit	<u>\$214,702</u>

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE K--LONG-TERM DEBT

The long-term debt of the proprietary funds and general long-term account group obligations of the city, may be summarized as follows

<u>PRIMARY GOVERNMENT</u>	<u>Balance 07/01/02</u>	<u>Additions (Reductions)</u>	<u>Balance 06/30/03</u>
<u>Enterprise Funds</u>			
<u>Sewer Fund</u>			
\$850,000, 1996 Series, Revenue Bonds (Water and Sewer Improvements), due in annual installments at interest rates between 4% through 5.7%.	\$ 695,000	\$ (35,000)	\$ 660,000
\$585,000, 1996 Series, Special Assessment Limited Tax Bonds, due in annual installments at interest rates between 5% through 8% (Net of Amortization of \$18,719).	379,721	(38,440)	341,281
\$3,700,000, 2001 Series, General Obligation Unlimited Tax Refunding Bonds. Issued 2001 General Obligation Refunding Bonds leaving a balance of \$3,700,000 in 2001. Due in 18 annual installments at interest rates between 3% through 4.7% (Net of Amortization of \$194,021).	3,438,045	(17,066)	3,420,979
Installment Purchase Agreement \$161,000. To purchase the Victory Meadows Lift Station Date, payable in 6 annual installments to Independent Bank at an interest rate of 4.6%.	87,000	(28,000)	59,000
Installment Purchase Agreement \$161,000. To purchase the Forest of Nottingham Lift Station Date, payable in 6 annual installments to Independent Bank at an interest rate of 4.6%.	87,000	(28,000)	59,000
Installment Purchase Agreement \$55,000. To purchase a sewer vactor, payable in 5 years to Republic Bank at an interest rate of 5.7%.	5,500	(5,500)	
Long-Term Accrued Compensated Absences Sewer Fund	<u>311</u>	<u>4,217</u>	<u>4,528</u>
Total Sewer Fund	<u>\$4,692,577</u>	<u>\$ (147,789)</u>	<u>\$4,544,788</u>

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE K--LONG-TERM DEBT (Continued)

	<u>Balance 07/02/02</u>	<u>Additions (Reductions)</u>	<u>Balance 06/30/03</u>
<u>Water Fund</u>			
Installment Purchase Agreement \$355,000. To purchase the Wellfield Property, payable in 6 years at an interest rate of 4.6% to Independent Bank.	<u>\$ 190,000</u>	<u>\$ (60,000)</u>	<u>\$ 130,000</u>
Total Enterprise Funds	<u><u>\$4,882,577</u></u>	<u><u>\$ (207,789)</u></u>	<u><u>\$4,674,788</u></u>
<u>General Long-Term Debt Group</u>			
Installment Purchase Agreement \$125,000. To purchase a street sweeper, payable in 5 years at 5.44% interest to Elgin Sweeper Company.	\$ 27,716	\$ (27,716)	
\$130,000, 1997C Series, Advance Refunding of Series 1986A, Group 9, Transportation Fund Bonds. Due in 5 annual installments at interest rates between 4.25% through 4.45%.	30,000	(30,000)	
\$1,395,000, 2002 Series, General Obligation Limited Tax Bonds. Due in 19 annual installments at interest ranging between 4.50% through 5.10%.	1,395,000		\$ 1,395,000
\$250,000, 2003 Series, Michigan Transportation Fund Bonds. Due in 14 annual installments at interest ranging between 3.00% through 4.35%.		250,000	250,000
\$928,436, 2003 Special Assessment for Tobias/Linn Road project payable to Ingham County Drain Commission. Due in 20 annual decreasing installments at interest of 5.00%.		928,436 (46,422)	882,014
Long-Term Compensated Absences	<u>53,071</u>	<u>(25,650)</u>	<u>27,421</u>
Total General Long-Term Debt Group	<u><u>\$1,505,787</u></u>	<u><u>\$1,048,648</u></u>	<u><u>\$2,554,435</u></u>
Total Long-Term Debt--Primary Government	<u><u>\$6,388,364</u></u>	<u><u>\$ 840,859</u></u>	<u><u>\$7,229,223</u></u>

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE K--LONG-TERM DEBT (Continued)

<u>Component Units--Long-Term Debt</u>	<u>Balance 07/01/02</u>	<u>Additions (Reductions)</u>	<u>Balance 06/30/03</u>
<u>Downtown Development Authority (DDA)</u>			
\$1,895,000, 1994 Series, Limited Tax General Obligation Downtown Development Bond. Issued 1999 DDA Refunding Bonds leaving a balance due of \$210,000 in 1999. Due in 6 annual installments at interest rates between 5.6% through 7%.	\$ 115,000	\$ (35,000)	\$ 80,000
\$425,000, 1994 Series, Limited Tax General Obligation Downtown Development Bond. Issued 1999 DDA Refunding Bonds leaving a balance due of \$210,000 in 1999. Due in 26 annual installments starting on November 1, 1998 and interest starting on May 1, 1995 at interest rates between 5.6% through 7.125%.	385,000	(10,000)	375,000
\$1,945,000, 1999 Series, Limited Tax General Obligation Downtown Development Refunding Bonds. Due in 25 annual installments at interest rates ranging between 3.4% through 4.95%.	1,895,000	(15,000)	1,880,000
Land Contract \$115,191. To purchase Deer Creek Car Wash property at 5 annual installments at 9.5% interest payable to individuals.	<u>75,267</u>	<u>(22,849)</u>	<u>52,418</u>
Total Downtown Development Authority	<u>\$2,470,267</u>	<u>\$ (82,849)</u>	<u>\$ 2,387,418</u>
<u>Economic Development Corporation (EDC)</u>			
Mortgage Payable \$684,000. To purchase a parcel of land and certain improvements to house some city offices, payable in quarterly installments over a period of 15 years at an interest rate of 5.75%.	\$ 563,450	\$ (36,750)	\$ 526,700
Total Economic Development Corporation	<u>\$ 563,450</u>	<u>\$ (36,750)</u>	<u>\$ 526,700</u>
Total Long-Term Debt--Component Units	<u>\$3,033,717</u>	<u>\$ (119,599)</u>	<u>\$ 2,914,118</u>
Total Reporting Entity--Long-Term Debt	<u>\$9,422,081</u>	<u>\$ 721,260</u>	<u>\$10,143,341</u>

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE K--LONG-TERM DEBT (Continued)Annual Principal and Interest Requirements--Enterprise Funds

The annual requirements to pay the principal and interest on the enterprise funds of the primary government are as follows:

Sewer FundRevenue Bonds Water/Sewer Improvements, Series 1996

Date of Issue: February 26, 1996

Amount: \$850,000

Year	Principal 1-March	Interest		Annual Total
		1-March	1-September	
2003			\$ 17,713	\$ 17,713
2004	\$ 35,000	\$ 17,713	16,906	69,619
2005	40,000	16,906	15,936	72,842
2006	40,000	15,936	14,936	70,872
2007	45,000	14,936	13,789	73,725
2008	45,000	13,789	12,619	71,408
2009	45,000	12,619	11,438	69,057
2010	50,000	11,438	10,100	71,538
2011	50,000	10,100	8,750	68,850
2012	55,000	8,750	7,238	70,988
2013	60,000	7,238	5,558	72,796
2014	60,000	5,558	3,848	69,406
2015	65,000	3,848	1,995	70,843
2016	70,000	1,995		71,995
Total	<u>\$660,000</u>	<u>\$140,826</u>	<u>\$ 140,826</u>	<u>\$ 941,652</u>

Debt Covenants

The city's two revenue bonds issued include a covenant to set aside amounts in a bond reserve fund. At June 30, 2003, there was \$34,737 and \$76,473 in separate bank accounts for the bond reserves for the 1992 Water and Sewer Improvement Revenue Bonds and the 1996 Water and Sewer Improvement Revenue Bonds, respectively.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE K--LONG-TERM DEBT (Continued)

1996 Sewer Special Assessment Bonds

Date of Issue: November 1, 1996

Amount: \$585,000

Unamortized Bond Discount: \$18,719

Current Year Amortized Cost: \$1,560

<u>Year</u>	<u>Principal 1-November</u>	<u>Interest</u>		<u>Annual Total</u>
		<u>1-May</u>	<u>1-November</u>	
2003	\$ 40,000		\$ 9,600	\$ 49,600
2004	40,000	\$ 8,400	8,400	56,800
2005	40,000	7,200	7,200	54,400
2006	40,000	6,000	6,000	52,000
2007	40,000	5,000	5,000	50,000
2008	40,000	4,000	4,000	48,000
2009	40,000	3,000	3,000	46,000
2010	40,000	2,000	2,000	44,000
2011	40,000	1,000	1,000	42,000
Total	<u>\$ 360,000</u>	<u>\$36,600</u>	<u>\$ 46,200</u>	<u>\$442,800</u>

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE K--LONG-TERM DEBT (Continued)General Obligation Unlimited Tax Refunding Bonds, Series 2001

Date of Issue: September 27, 2001

Amount: \$3,700,000

Unamortized Bond Discount at June 30, 2003: \$22,189

Deferred Amount: \$171,832

Current Year Amortized Cost: \$12,934

Year	Principal 1-November	Interest		Annual Total
		1-May	1-November	
2003	\$ 30,000		\$ 79,399	\$ 109,399
2004	30,000	\$ 78,912	78,912	187,824
2005	30,000	78,424	78,424	186,848
2006	35,000	77,899	77,899	190,798
2007	215,000	77,287	77,287	369,574
2008	180,000	72,987	72,987	325,974
2009	205,000	69,274	69,274	343,548
2010	235,000	64,918	64,918	364,836
2011	265,000	59,777	59,777	384,554
2012	300,000	54,146	54,146	408,292
2013	335,000	47,696	47,696	430,392
2014	375,000	40,326	40,326	455,652
2015	415,000	31,889	31,889	478,778
2016	460,000	22,448	22,448	504,896
2017	505,000	11,867	11,867	528,734
Total	<u>\$ 3,615,000</u>	<u>\$787,850</u>	<u>\$ 867,249</u>	<u>\$5,270,099</u>

Defeased Debt

In prior years, the city defeased the 1991 Series Bonds by placing the proceeds of new bonds (\$3,700,000) in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the general purpose financial statements. At June 30, 2003, \$3,400,000 of bonds outstanding are considered defeased.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE K--LONG-TERM DEBT (Continued)Victory Meadows Lift Station Installment Purchase Agreement

Date of Issue: July 7, 1999

Amount: \$161,000

<u>Year</u>	<u>Principal 1-June</u>	<u>Interest</u>		<u>Annual Total</u>
		<u>1-June</u>	<u>1-December</u>	
2003			\$ 1,357	\$ 1,357
2004	\$29,000	\$1,357	690	31,047
2005	<u>30,000</u>	<u>690</u>		<u>30,690</u>
Total	<u>\$59,000</u>	<u>\$2,047</u>	<u>\$ 2,047</u>	<u>\$ 63,094</u>

Forest of Nottingham Installment Purchase Agreement

Date of Issue: July 7, 1999

Amount: \$161,000

<u>Year</u>	<u>Principal 1-June</u>	<u>Interest</u>		<u>Annual Total</u>
		<u>1-June</u>	<u>1-December</u>	
2003			\$ 1,357	\$ 1,357
2004	\$29,000	\$1,357	690	31,047
2005	<u>30,000</u>	<u>690</u>		<u>30,690</u>
Total	<u>\$59,000</u>	<u>\$2,047</u>	<u>\$ 2,047</u>	<u>\$63,094</u>

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE K--LONG-TERM DEBT (Continued)

Water Fund

Wellfield Property Installment Purchase Agreement

Date of Issue: July 7, 1999

Amount: \$355,00

<u>Year</u>	<u>Principal 1-June</u>	<u>Interest</u>		<u>Annual Total</u>
		<u>1-June</u>	<u>1-December</u>	
2003			\$ 2,990	\$ 2,990
2004	\$ 65,000	\$2,990	1,495	69,485
2005	<u>65,000</u>	<u>1,495</u>		<u>66,495</u>
Total	<u>\$130,000</u>	<u>\$4,485</u>	<u>\$ 4,485</u>	<u>\$138,970</u>

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE K--LONG-TERM DEBT (Continued)Annual Principal and Interest Requirements--Governmental Funds

The annual requirements to pay the principal and interest on the general long-term debt account group of the primary government are as follows:

General Obligation Limited Tax Bonds, Series 2002

Date of Issue: March 1, 2002

Amount: \$1,395,000

Year	Principal 1-November	Interest		Annual Total
		1-May	1-November	
2003			\$ 33,584	\$ 33,584
2004	\$ 20,000	\$ 33,584	33,134	86,718
2005	25,000	33,134	32,571	90,705
2006	30,000	32,571	31,896	94,467
2007	35,000	31,896	31,109	98,005
2008	40,000	31,109	30,209	101,318
2009	45,000	30,209	29,196	104,405
2010	50,000	29,196	28,071	107,267
2011	55,000	28,071	26,820	109,891
2012	60,000	26,820	25,455	112,275
2013	65,000	25,455	23,976	114,431
2014	75,000	23,976	22,233	121,209
2015	80,000	22,233	20,333	122,566
2016	90,000	20,333	18,150	128,483
2017	100,000	18,150	15,700	133,850
2018	110,000	15,700	12,978	138,678
2019	120,000	12,978	9,978	142,956
2020	125,000	9,978	6,853	141,831
2021	130,000	6,853	3,570	140,423
2022	140,000	3,570		143,570
Total	<u>\$ 1,395,000</u>	<u>\$435,816</u>	<u>\$ 435,816</u>	<u>\$ 2,266,632</u>

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE K--LONG-TERM DEBT (Continued)2003 Act 175 Michigan Transportation Fund Bonds

Date of Issue: February 1, 2003

Amount: \$250,000

<u>Year</u>	<u>Principal 1-August</u>	<u>Interest</u>		<u>Annual Total</u>
		<u>1-August</u>	<u>1-February</u>	
2004		\$ 4,666	\$ 4,666	\$ 9,332
2005		4,666	4,667	9,333
2006	\$ 10,000	4,667	4,516	19,183
2007	10,000	4,516	4,366	18,882
2008	15,000	4,366	4,141	23,507
2009	15,000	4,141	3,916	23,057
2010	15,000	3,916	3,688	22,604
2011	15,000	3,688	3,436	22,124
2012	15,000	3,436	3,170	21,606
2013	20,000	3,170	2,795	25,965
2014	20,000	2,795	2,410	25,205
2015	20,000	2,410	2,010	24,420
2016	20,000	2,010	1,600	23,610
2017	25,000	1,600	1,075	27,675
2018	25,000	1,075	544	26,619
2019	25,000	544		25,544
Total	<u>\$250,000</u>	<u>\$ 51,666</u>	<u>\$ 47,000</u>	<u>\$348,666</u>

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE K--LONG-TERM DEBT (Continued)2003 Tobias/Linn Road Special Assessment

Date of Issue: February 1, 2003

Amount: \$928,436

<u>Year</u>	<u>Principal November</u>	<u>Interest 1-August</u>	<u>Annual Total</u>
2004	\$ 46,422	\$ 44,101	\$ 90,523
2005	46,422	41,780	88,202
2006	46,422	39,459	85,881
2007	46,422	37,137	83,559
2008	46,422	34,816	81,238
2009	46,422	32,495	78,917
2010	46,422	30,174	76,596
2011	46,422	27,853	74,275
2012	46,422	25,532	71,954
2013	46,422	23,211	69,633
2014	46,422	20,890	67,312
2015	46,422	18,569	64,991
2016	46,422	16,248	62,670
2017	46,422	13,927	60,349
2018	46,422	11,606	58,028
2019	46,421	9,284	55,705
2020	46,421	6,963	53,384
2021	46,421	4,642	51,063
2022	46,421	2,321	48,742
Total	<u>\$882,014</u>	<u>\$441,008</u>	<u>\$1,323,022</u>

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE K--LONG-TERM DEBT (Continued)

Annual Principal and Interest Requirements--Component Units

The annual requirements to pay the principal and interest on the general long term debt account group of the component units are as follows:

Downtown Development Authority (DDA)

1994 General Obligation Downtown Development Bond (DDA)

Date of Issue: December 21, 1994

Amount: \$1,895,000

<u>Year</u>	<u>Principal 1-November</u>	<u>Interest</u>		<u>Annual Total</u>
		<u>1-May</u>	<u>1-November</u>	
2003	\$ 40,000		\$ 2,640	\$42,640
2004	<u>40,000</u>	<u>\$1,240</u>	<u>1,240</u>	<u>42,480</u>
Total	<u>\$ 80,000</u>	<u>\$1,240</u>	<u>\$ 3,880</u>	<u>\$85,120</u>

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE K--LONG-TERM DEBT (Continued)1994 Downtown Development Bond (DDA)

Date of Issue: December 21, 1994

Amount: \$425,000

<u>Year</u>	<u>Principal 1-November</u>	<u>Interest</u>		<u>Annual Total</u>
		<u>1-May</u>	<u>1-November</u>	
2003	\$ 10,000		\$ 13,186	\$ 23,186
2004	10,000	\$ 12,871	12,871	35,742
2005	10,000	12,546	12,546	35,092
2006	10,000	12,216	12,216	34,432
2007	10,000	11,881	11,881	33,762
2008	15,000	11,541	11,541	38,082
2009	15,000	11,024	11,024	37,048
2010	15,000	10,499	10,499	35,998
2011	15,000	9,966	9,966	34,932
2012	15,000	9,434	9,434	33,868
2013	20,000	8,901	8,901	37,802
2014	20,000	8,191	8,191	36,382
2015	20,000	7,481	7,481	34,962
2016	20,000	6,769	6,769	33,538
2017	20,000	6,056	6,056	32,112
2018	20,000	5,344	5,344	30,688
2019	20,000	4,631	4,631	29,262
2020	20,000	3,919	3,919	27,838
2021	30,000	3,206	3,206	36,412
2022	30,000	2,138	2,138	34,276
2023	30,000	1,069	1,069	32,138
Total	<u>\$ 375,000</u>	<u>\$159,683</u>	<u>\$ 172,869</u>	<u>\$ 707,552</u>

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE K--LONG-TERM DEBT (Continued)1999 Downtown Development Refunding Bonds

Date of Issue: May 20, 1999

Amount: \$1,945,000

Year	Principal	Interest		Annual
	1-November	1-May	1-November	Total
2003	\$ 15,000		\$ 43,416	\$ 58,416
2004	20,000	\$ 43,128	43,128	106,256
2005	65,000	42,733	42,733	150,466
2006	65,000	41,416	41,416	147,832
2007	70,000	40,084	40,084	150,168
2008	65,000	38,614	38,614	142,228
2009	70,000	37,216	37,216	144,432
2010	75,000	35,711	35,711	146,422
2011	80,000	34,099	34,099	148,198
2012	85,000	32,319	32,319	149,638
2013	90,000	30,428	30,428	150,856
2014	90,000	28,425	28,425	146,850
2015	95,000	26,333	26,333	147,666
2016	105,000	24,124	24,124	153,248
2017	110,000	21,683	21,683	153,366
2018	115,000	19,070	19,070	153,140
2019	120,000	16,339	16,339	152,678
2020	125,000	13,489	13,489	151,978
2021	135,000	10,395	10,395	155,790
2022	140,000	7,054	7,054	154,108
2023	145,000	3,589	3,589	152,178
Total	<u>\$1,880,000</u>	<u>\$546,249</u>	<u>\$ 589,665</u>	<u>\$3,015,914</u>

Defeased Debt

In prior years, the DDA defeased 1994 Non-Callable Bonds and 1999 Refunding Bonds by placing the proceeds of new bonds (\$2,155,000) in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the general purpose financial statements. At June 30, 2003, \$1,655,000 of bonds outstanding are considered defeased.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE K--LONG-TERM DEBT (Continued)Land Contract (DDA)--Deer Creek Car Wash Property

Date of Issue: December 15, 1999

Amount: \$115,191

<u>Year</u>	<u>Principal 15-December</u>	<u>Interest 15-December</u>	<u>Annual Total</u>
2003	\$ 25,020	\$ 4,980	\$30,000
2004	27,398	2,602	30,000
Total	<u>\$ 52,418</u>	<u>\$ 7,582</u>	<u>\$60,000</u>

Economic Development Corporation (EDC)Mortgage Payable--Real Estate

Date of Issue: July 1, 1998

Amount: \$684,000

<u>Year</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Annual Total</u>
2004	\$ 38,909	\$ 29,456	\$ 68,365
2005	41,195	27,170	68,365
2006	43,615	24,750	68,365
2007	46,177	22,188	68,365
2008	48,890	19,475	68,365
2009	51,763	16,602	68,365
2010	54,804	13,561	68,365
2011	58,024	10,341	68,365
2012	61,433	6,932	68,365
2013	65,042	3,323	68,365
2014	16,848	242	17,090
Total	<u>\$526,700</u>	<u>\$174,040</u>	<u>\$700,740</u>

Effective for the fiscal year ended June 30, 2002, the Economic Development Corporation assumed this mortgage from the General Fund.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE K--LONG-TERM DEBT (Continued)

No Commitment Debt

Excluded from the general long-term debt account group are revenue bonds issued by the Economic Development Corporation issued to acquire and lease property to third parties. The revenue bonds issued are payable solely from the net revenue derived from the respective leases and are not a general obligation of the city. After these bonds are issued, all financial activity is taken over by the paying agent. The bonds and related lease contracts are not reflected in the city's financial statements. Information regarding the status of the bond issue, including possible default must be obtained from the paying agent or other knowledgeable source. The amount outstanding at June 30, 2003 is \$1,000,000.

Compensated Absences

The city has an accrued liability for accumulated vested vacation and sick leave benefits payable for its employees. As of June 30, 2003, the accumulated vested vacation and sick leave benefits of the city's employees were as follows:

	<u>Sick/Personnel Leave</u>	<u>Vacation Leave</u>	<u>Total</u>
General Government	\$10,312	\$17,109	\$ 27,421
Public Works Department	<u>1,932</u>	<u>2,596</u>	<u>4,528</u>
Total	<u>\$12,244</u>	<u>\$19,705</u>	<u>\$ 31,949</u>

These amounts are reported in the general long-term account group (General Government) and the Sewer Enterprise Fund (Public Works Department).

City employees are entitled to certain vacation and sick pay benefits that accrue and vest under the terms of the city's labor agreements and personnel policy.

Vacation leave is earned in varying amounts ranging from 1 to 5 five weeks depending on the number of years of service provided by the employee and is available on the employee's anniversary date. With supervisory approval, employees may carry over a maximum of one week to the subsequent period.

Sick leave is earned by all city employees at the rate of 12 days annually with each day being made available as of the last day of the month. A maximum of 24 days may be accrued. Upon retirement employees are paid for one-half of their accumulated unused sick leave.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE L--EMPLOYEES' RETIREMENT SYSTEM

Description of Plan and Plan Assets

The City of Williamston in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, nonduty-connected death, duty-connected death, and post-retirement adjustments to plan members and their beneficiaries. The service requirement for general, police and nonunion employees is computed using credited service at the time of termination of membership multiplied by the sum of 2.0%, 2.5%, 2.25%, respectively, times the final average compensation (FAC) with a maximum benefit of 80% of the FAC for the police and nonunion members. The most recent period for which actuarial data was available was for the fiscal year ended December 31, 2002.

MERS was organized pursuant to Section 12a of Public Act 156 of 1851 (MSA 5.333(a); MCLA 46.12(a)), as amended, State of Michigan. MERS is regulated under Public Act 427 of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 447 North Canal Street, Lansing, Michigan 48917-9755.

Funding Policy

Each member was required to contribute a percentage of his or her annual compensation. The member's contribution for the general, police, nonunion employees, and nonunion employee closed was 4.75%, 8.0%, 7.0% and 9.9%, respectively. The city is required to contribute at an actuarially determined rate. Based on the 2000 actuarial valuation, the 2002 rates for general, police and nonunion employees were 5.60%, 19.8% and 8.46%, respectively, of annual compensation.

Annual Pension Cost

During the fiscal year ended June 30, 2003, the city's contributions totaling \$74,202 were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2000 and 2001. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his or her projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8% and annual salary increases of 4.5% based on an age-related scale to reflect merit, longevity, and promotional salary increases.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE L--EMPLOYEES' RETIREMENT SYSTEM (Continued)

Three Year Trend Information for GASB Statement No. 27

<u>Year Ended June 30</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2001	\$ 66,663	100%	\$0
2002	68,690	100%	\$0
2003	74,202	100%	\$0

Required Supplementary Information for GASB Statement No. 27

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Underfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percent of Covered Payroll</u>
12/31/2000	\$1,621,966	\$2,283,936	\$ 661,970	71%	\$579,857	114%
12/31/2001	1,777,504	2,434,877	657,373	73%	661,745	99%
12/31/2002	1,898,108	2,680,332	782,224	71%	648,558	121%

NOTE M--DEFERRED COMPENSATION PLAN

Primary Government

The City of Williamston offers all employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plan are held in a trust, custodial account or annuity contract described in IRC Section 457(g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodial account is held by the custodian for the exclusive benefit of the participants and beneficiaries of these Section 457 plans and the assets may not be diverted to any other use. The administrator is an agent of the employer. The administrator provides direction to the custodian, from time to time, regarding the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in the city's financial statements.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE N--SEGMENT INFORMATION--ENTERPRISE FUNDS

The city maintains two enterprise funds that provide water and sewer services. Segment information for the year ended June 30, 2003, as follows:

	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Operating Revenue	\$ 770,435	\$ 599,776	\$1,370,211
Depreciation	283,467	55,145	338,612
Operating Income (Loss)	(77,844)	190,424	112,580
Operating Transfers In	42,520	17,800	60,320
Operating Transfers (Out)	(51,050)	(66,548)	(117,598)
Net Income (Loss)	(293,863)	136,275	(157,588)
Fixed Assets Additions	74,130	18,768	92,898
Net Working Capital	1,088,590	240,183	1,328,773
Long-Term Debt	4,540,260	130,000	4,670,260
Total Assets	11,874,796	2,298,872	14,173,668
Total Equity	7,130,670	2,120,337	9,251,007

NOTE O--RISK MANAGEMENT

The city and the city's component units are exposed to various risks of loss related to theft of, damage to, and distribution of assets, error and omissions; and injuries to employees. The city participates in the Michigan Municipal Liability and Property Pool (Pool) for claims relating to general liability, excess liability, auto liability, errors and omissions, physical damage (equipment, building and contents) and workers' compensations. Settlement amounts have not exceeded insurance coverage for the current or three prior years.

Local units in the State of Michigan established and created a trust fund, known as the Michigan Municipal Liability and Property Pool pursuant to the provisions of Public Act 138 of 1982. The Pool is to provide for joint and cooperative action relative to member financial and administrative resources for the purpose of providing risk management services along with property and liability protection. Membership is restricted to local units and related local unit activities within the state.

The Michigan Municipal Liability and Property Pool program operates as a common risk-sharing management program for local units in Michigan. Member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts.

CITY OF WILLIAMSTON

NOTES TO FINANCIAL STATEMENTS

NOTE P--CONTINGENCIES

Primary Government

The City of Williamston entered into a contract with the Michigan Economic Development Corporation for Federal funding, under the Community Development Block Grant Program, to complete a sewer infrastructure project to assist Capitol Tool & Die (a division of Demmer Corporation). The terms of the contract require the city and/or company to create a minimum of 29 jobs made available to low and moderate income people. If the project does not result in the minimum number of jobs, the State retains the right to require the city and/or company to repay the full amount of the grant funds. The city and the Capital Tool & Die have not met the necessary job creation requirements.

At June 30, 2002, the city had expended \$939,404 on this project. The Federal share of these expenditures is \$550,000. The city had received reimbursement for Federal expenditures in the amount of \$442,502. The city is due approximately \$107,498 from the State for the remaining Federal expenditures. The city did not submitted reimbursement requests due to the city's failure to meet the job creation requirements. Due to the current economic slowdown and the uncertainty of meeting the job creation requirements, the city has not accrued the \$107,498 in Federal funds due from the State and accordingly has not recorded the Federal revenue (in the proprietary fund type). Additionally, pursuant to this contract, the city and/or company may be required to pay a portion of or all of the \$442,502 in Federal funds received.

Component Units

The Downtown Development Authority, Tax Increment Finance Authority 2A, and Tax Increment Finance Authority 2B (component units) have an ongoing dispute with the Department of Treasury over the capture of school taxes during the period of 1994 through 2000. The city estimates that the claim will be approximately \$200,000, but is awaiting a final determination from the Department of Treasury. At this time, a final determination has not been made by the Department of Treasury.

CITY OF WILLIAMSTON
STATEMENT OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL--GENERAL FUND
For the Year Ended June 30, 2003

EXHIBIT H

	Budget	Actual	Variance Favorable (Unfavorable)
Taxes and Penalties			
Current Real Taxes	\$ 1,101,000	\$ 1,103,122	\$ 2,122
Current Personal Taxes	-	-	-
Trailer Tax	700	1,449	749
Penalties and Interest	12,000	12,845	845
Administrative Fee	44,800	49,443	4,643
Total Taxes and Penalties	1,158,500	1,166,859	8,359
Licenses and Permits			
Electrical, Heating, and Plumbing Permits	-	2,663	2,663
Cable Franchise Fee	13,300	14,779	1,479
Liquor Licenses	2,000	1,506	(494)
Other Licenses and Permits	1,000	660	(340)
Total Licenses and Permits	16,300	19,608	3,308
Federal Grants			
Police Training Grant (Act 302)	1,000	816	(184)
Total Federal Grants	1,000	816	(184)
State Grants			
State Shared Revenues	360,260	364,551	4,291
Total State Grants	360,260	364,551	4,291
Charges for Service			
General Sales	3,500	1,672	(1,828)
Garbage Bag Sales	12,000	11,118	(882)
Application and Review Fees	-	-	-
Miscellaneous	1,000	1,373	373
Total Charges for Service	16,500	14,163	(2,337)
Fines and Forfeitures			
Police Reports and Services	3,000	5,977	2,977
OUIL Alcohol Cost Recovery	250	142	(108)
Traffic Fines	3,000	4,048	1,048
Parking Fines and Civil Infractions	1,000	1,267	267
Total Fines and Forfeitures	7,250	11,434	4,184
Interest and Rents			
Interest Earned	5,000	6,487	1,487
Rentals	46,315	35,239	(11,076)
Total Interest and Rents	51,315	41,726	(9,589)

CITY OF WILLIAMSTON
STATEMENT OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL--GENERAL FUND
For the Year Ended June 30, 2003

EXHIBIT H
(CONTINUED)

	Budget	Actual	Variance Favorable (Unfavorable)
Other Revenues			
Special Assessments--Sidewalks	2,080	4,380	2,300
Contributions From Private Sources	10,000	13,415	3,415
Refunds and Reimbursements	16,060	23,110	7,050
Trade In Allowance		57,200	57,200
Other	2,000	376	(1,624)
Total Other Revenues	30,140	98,481	68,341
Total Revenues	1,641,265	1,717,638	76,373
Other Financing Sources			
Operating Transfers In--Primary Government			
Sewer Fund	42,750	42,750	-
Water Fund	37,000	37,000	-
Operating Transfers In--Component Units			
Economic Development Corporation	25,000	25,000	-
Downtown Development Authority	20,000	20,000	-
Tax Increment Financing Authority 2A	30,000	35,000	5,000
Tax Increment Financing Authority 2B	21,600	21,600	-
Total Other Financing Sources	176,350	181,350	5,000
Total Revenues and Other Financing Sources	1,817,615	<u>\$ 1,898,988</u>	<u>\$ 81,373</u>
Fund Balance--July 1, 2002			
Carried Forward	506,519		
Fund Balance--June 30, 2003	<u>\$ 2,324,134</u>		

CITY OF WILLIAMSTON
STATEMENT OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL—GENERAL FUND
For the Year Ended June 30, 2003

EXHIBIT I

	Budget	Actual	Variance Favorable (Unfavorable)
Legislative			
Council	\$ 15,975	\$ 12,339	\$ 3,636
General Government			
City Manager	146,000	137,202	8,798
Elections	4,900	5,713	(813)
Assessor	37,680	37,001	679
Attorney	70,000	66,904	3,096
Clerk	67,550	58,144	9,406
Board of Review	-	-	-
Treasurer	130,045	118,795	11,250
City Hall	105,407	108,836	(3,429)
Cemetery Board	19,380	15,680	3,700
Total General Government	580,962	548,275	32,687
Public Safety			
Police	475,200	478,729	(3,529)
Total Public Safety	475,200	478,729	(3,529)
Public Works			
Planning Commission	43,100	41,118	1,982
Public Service	60,790	47,792	12,998
Engineering	64,500	50,813	13,687
Street Lighting	51,500	45,494	6,006
City Tree Service	10,530	11,155	(625)
Equipment Maintenance	-	-	-
Leaf and Grass Collection	48,400	31,010	17,390
Operations and Maintenance	11,615	11,473	142
Total Public Works	290,435	238,855	51,580
Recreation and Cultural			
Parks	61,699	45,329	16,370
Library	16,185	14,647	1,538
Red Cedar Recreation Association	7,000	4,940	2,060
Total Recreation and Cultural	84,884	64,916	19,968
Other			
Miscellaneous	2,600	5,692	(3,092)
Total Other	2,600	5,692	(3,092)

CITY OF WILLIAMSTON
STATEMENT OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL--GENERAL FUND
For the Year Ended June 30, 2003

EXHIBIT I
(CONTINUED)

	Budget	Actual	Variance Favorable (Unfavorable)
Capital Outlay			
Assessor	6,870	2,863	4,007
Clerk	-	-	-
Treasurer	11,500	10,734	766
Elections	-	-	-
Building and Grounds	15,000	13,086	1,914
Police	35,000	30,040	4,960
Planning Commission	-	-	-
Equipment Maintenance	94,000	153,641	(59,641)
Total Capital Outlay	162,370	210,364	(47,994)
Debt Service			
Principal	110,408	74,138	36,270
Interest	-	53,542	(53,542)
Total Debt Service	110,408	127,680	(17,272)
Total Expenditures	1,722,834	1,686,850	35,984
Other Financing Uses			
Operating Transfers (Out)			
Major Street Fund	45,000	45,000	-
Local Street Fund	70,000	70,000	-
Building Department	16,000	19,568	(3,568)
Water Fund	9,500	9,500	-
Total Other Financing Uses	140,500	144,068	(3,568)
Total Expenditures and Other Financing Uses	1,863,334	<u>\$ 1,830,918</u>	<u>\$ 32,416</u>
Fund Balance--June 30, 2003	<u>460,800</u>		
Total Budget	<u>\$ 2,324,134</u>		

CITY OF WILLIAMSTON
COMBINING BALANCE SHEET--SPECIAL REVENUE FUNDS
June 30, 2003

EXHIBIT J

	Major Street	Local Street	Building and Zoning	Total
<u>ASSETS</u>				
Cash	\$ 85,650	\$ 38,859	-	\$ 124,509
Investments	62,352	18,458	-	80,810
Special Assessment Receivable	-	2,649	-	2,649
Due From State	125,355	40,372	-	165,727
Due From Other Funds--Primary Government	12,103	48,701	\$ 21,300	82,104
Total Assets	<u>\$ 285,460</u>	<u>\$ 149,039</u>	<u>\$ 21,300</u>	<u>\$ 455,799</u>
<u>LIABILITIES AND FUND EQUITY</u>				
Liabilities				
Accounts Payable	\$ 28,043	\$ 31	\$ 9,900	\$ 37,974
Due To Other Funds--Primary Government	28,403	37,103	-	65,506
Accrued Liabilities	586	472	-	1,058
Deferred Revenue	125,355	43,021	-	168,376
Total Liabilities	<u>182,387</u>	<u>80,627</u>	<u>9,900</u>	<u>272,914</u>
Fund Equity				
Fund Balance (Deficit)				
Reserved for Road Construction	-	-	-	-
Unreserved--Undesignated	103,073	58,412	11,400	172,885
Designated	-	10,000	-	10,000
Total Fund Equity	<u>103,073</u>	<u>68,412</u>	<u>11,400</u>	<u>182,885</u>
Total Liabilities and Fund Equity	<u>\$ 285,460</u>	<u>\$ 149,039</u>	<u>\$ 21,300</u>	<u>\$ 455,799</u>

CITY OF WILLIAMSTON
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2003

EXHIBIT K

	Major Street	Local Street	Building and Zoning	Total
Revenues				
Licenses and Permits	-	-	\$ 86,318	\$ 86,318
State Grants	\$ 26,547	\$ 8,547	-	35,094
Charges for Services	-	-	3,238	3,238
Interest and Rentals	2,919	1,000	-	3,919
Other	-	3,634	-	3,634
Total Revenues	29,466	13,181	89,556	132,203
Expenditures				
Current				
Public Safety	-	-	97,724	97,724
Public Works	1,490,232	39,657	-	1,529,889
Debt Service				
Interest Expense	3,750	-	-	3,750
Total Expenditures	1,493,982	39,657	97,724	1,631,363
Excess of Revenues Over (Under) Expenditures	(1,464,516)	(26,476)	(8,168)	(1,499,160)
Other Financing Sources (Uses)				
Proceeds From Bond Issuance	250,000	-		250,000
Operating Transfers In	45,000	70,000	19,568	134,568
Operating Transfers (Out)	-	(25,425)	-	(25,425)
Total Other Financing Sources (Uses)	295,000	44,575	19,568	359,143
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(1,169,516)	18,099	11,400	(1,140,017)
Fund Balance--July 1, 2002	1,272,589	50,313	-	1,322,902
Fund Balance--June 30, 2003	\$ 103,073	\$ 68,412	\$ 11,400	\$ 182,885

CITY OF WILLIAMSTON
COMBINING BALANCE SHEET--DEBT SERVICE FUNDS
June 30, 2003

EXHIBIT L

	1987 Act 175 Bond	2003 Act 175 Bond	2003 Act 342 Bond	Total
<u>ASSETS</u>				
Due From Other Funds--Primary Government	-	-	\$ 25,000	\$ 25,000
Total Assets	\$ -	\$ -	25,000	25,000
<u>LIABILITIES AND FUND EQUITY</u>				
Liabilities				
Due To Other Funds--Primary Government	-	-	\$ 2,578	\$ 2,578
Total Liabilities	\$ -	\$ -	2,578	2,578
Fund Equity				
Fund Balance				
Reserved for Debt Service	-	-	22,422	22,422
Total Fund Equity	-	-	22,422	22,422
Total Liabilities and Fund Equity	\$ -	\$ -	\$ 25,000	\$ 25,000

CITY OF WILLIAMSTON
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
DEBT SERVICE FUNDS
For the Year Ended June 30, 2003

EXHIBIT M

	1987 Act 175 Bond	2003 Act 175 Bond	2003 Act 342 Bond	Total
Revenues				
Interest and Rentals	\$ 2	-	-	\$ 2
Total Revenues	2	\$ -	\$ -	2
Expenditures				
Debt Service				
Principal	30,000	-	-	30,000
Interest Expense	668	425	72,578	73,671
Total Expenditures	30,668	425	72,578	103,671
Excess of Revenues Over (Under) Expenditures	(30,666)	(425)	(72,578)	(103,669)
Other Financing Sources (Uses)				
Operating Transfers In	-	425	25,000	25,425
Operating Transfers In--Component Unit	30,130	-	70,000	100,130
Total Other Financing Sources (Uses)	30,130	425	95,000	125,555
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(536)	-	22,422	21,886
Fund Balance--July 1, 2002	536	-	-	536
Fund Balance--June 30, 2003	\$ -	\$ -	\$ 22,422	\$ 22,422

CITY OF WILLIAMSTON
COMBINING BALANCE SHEET--ENTERPRISE FUNDS
For the Year Ended June 30, 2003

EXHIBIT N

	Sewer Fund	Water Fund	Total
<u>ASSETS</u>			
Current			
Cash and Cash Equivalents	\$ 274,470	\$ 158,738	\$ 433,208
Restricted Cash for Debt Covenants	111,210	-	111,210
Investments	807,050	53,170	860,220
Customer Receivables	86,754	76,810	163,564
Due From Other Funds--Primary	-	-	-
Due From Other Funds--Component Units	12,972		12,972
Total Current Assets	1,292,456	288,718	1,581,174
Long-Term			
Special Assessments Receivable	306,119	-	306,119
Deferred Charge	89,147	-	89,147
Property, Plant and Equipment (Net of Accumulated Depreciation)	10,187,074	2,010,154	12,197,228
Total Long-Term Assets	10,582,340	2,010,154	12,592,494
Total Assets	\$ 11,874,796	\$ 2,298,872	\$ 14,173,668
<u>LIABILITIES AND FUND EQUITY</u>			
Current Liabilities			
Accounts Payable	\$ 14,306	\$ 3,870	\$ 18,176
Accrued Interest Payable	41,938	498	42,436
Accrued Liabilities	4,920	2,154	7,074
Due to Other Funds	98,657	33,156	131,813
Vested Employee Benefits Payable	4,528	-	4,528
Customer Deposits	39,517	8,857	48,374
Total Current Liabilities	203,866	48,535	252,401
Long-Term Liabilities			
General Obligation Bonds (Net of Unamortized Discounts)	4,422,260	130,000	4,552,260
Installment Purchase Agreement Payable	118,000		118,000
Total Long-Term Liabilities	4,540,260	130,000	4,670,260
Total Liabilities	4,744,126	178,535	4,922,661
Fund Equity			
Contributed Capital	6,258,694	1,789,453	8,048,147
Retained Earnings	871,976	330,884	1,202,860
Total Fund Equity	7,130,670	2,120,337	9,251,007
Total Liabilities and Fund Equity	\$ 11,874,796	\$ 2,298,872	\$ 14,173,668

CITY OF WILLIAMSTON
COMBINING STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN RETAINED
EARNINGS--ENTERPRISE FUNDS
For the Year Ended June 30, 2003

EXHIBIT O

	Sewer Fund	Water Fund	Total (Memorandum Only)
Operating Revenues			
Water Sales	-	\$ 571,332	\$ 571,332
Sewage Disposal	\$ 761,338	-	761,338
Other	9,097	28,444	37,541
Total Operating Revenues	770,435	599,776	1,370,211
Operating Expenses			
General and Administration	5,607	4,467	10,074
Salaries and Fringes	201,880	89,627	291,507
Contractual Services	188,165	134,203	322,368
Operation and Maintenance	84,470	91,650	176,120
Utilities	64,757	27,331	92,088
Insurance	19,933	6,929	26,862
Depreciation	283,467	55,145	338,612
Total Operating Expenses	848,279	409,352	1,257,631
Operating Income (Loss)	(77,844)	190,424	112,580
Nonoperating Revenues (Expenses)			
Interest Income	14,450	3,202	17,652
Special Assessments--Enterprise	23,317	-	23,317
Interest Expense	(245,038)	(8,603)	(253,641)
Total Nonoperating Revenues (Expenses)	(207,271)	(5,401)	(212,672)
Net Income (Loss) Before Operating Transfers	(285,115)	185,023	(100,092)
Operating Transfers			
Operating Transfers In	29,548	17,800	47,348
Operating Transfers In From Component Units	12,972	-	12,972
Operating Transfers (Out)	(51,050)	(66,548)	(117,598)
Total Operating Transfers	(8,530)	(48,748)	(57,278)
Income (Loss)	(293,645)	136,275	(157,370)
Retained Earnings--July 1, 2002	1,165,621	194,609	1,360,230
Retained Earnings--June 30, 2003	\$ 871,976	\$ 330,884	\$ 1,202,860

CITY OF WILLIAMSTON
COMBINING STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
For the Year Ended June 30, 2003

EXHIBIT P

	Sewer Fund	Water Fund	Total
Cash Flows From Operating Activities			
Charges for Services	\$ 818,631	\$ 574,197	\$ 1,392,828
Miscellaneous	9,096	28,443	37,539
Goods and Services Purchased	(454,699)	(319,829)	(774,528)
Salaries and Fringes	(199,553)	(91,144)	(290,697)
Net Cash Provided by Operating Activities	173,475	191,667	365,142
Cash Flows From Noncapital Financing Activities			
Customer Deposits	39,517	994	40,511
Operating Transfers In From Other Funds	29,548	17,800	47,348
Operating Transfers In From Component Units	12,972	-	12,972
Operating Transfers (Out) to Other Funds	(51,050)	(66,548)	(117,598)
Due From Other Funds	149,327	-	149,327
Due to Other Funds	-	15,500	15,500
Due to Component Units	-	-	-
Net Cash Flows From Noncapital Financing Activities	180,314	(32,254)	148,060
Cash Flows From Capital and Related Financing Activities			
Collection of Customer Assessments	23,318	-	23,318
Acquisition of Capital Assets	(74,130)	(18,768)	(92,898)
Lease Purchase Agreement	-	-	-
Principal Paid on Debt	(151,788)	(60,000)	(211,788)
Interest Paid on Debt	(246,675)	(8,833)	(255,508)
Proceeds From Federal Grant	-	-	-
Sewer Debt Charge	-	-	-
Deferred Charge	5,943	-	5,943
Net Cash Provided (Used) by Capital and Related Financing Activities	(443,332)	(87,601)	(530,933)
Cash Flows From Investing Activities			
Interest on Cash Equivalents	14,449	3,201	17,650
Purchase of Investments	(9,780)	(624)	(10,404)
Net Cash Provided by Investing Activities	4,669	2,577	7,246
Net Increase in Cash and Cash Equivalents	(84,874)	74,389	(10,485)
Cash and Cash Equivalents at Beginning of the Year	470,554	84,349	554,903
Cash and Cash Equivalents at End of the Year	\$ 385,680	\$ 158,738	\$ 544,418
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating Income (Loss)	\$ (77,844)	\$ 190,424	\$ 112,580
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation	283,467	55,145	338,612
Changes in Assets and Liabilities			
Decrease (Increase) in Accounts Receivable	57,293	2,869	60,162
Increase (Decrease) in Accounts Payable	(91,768)	(55,253)	(147,021)
Increase (Decrease) in Accrued Liabilities	2,327	(1,518)	809
Net Cash Provided by Operating Activities	\$ 173,475	\$ 191,667	\$ 365,142



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

JENNIFER M. GRANHOLM
GOVERNOR

JAY B. RISING
STATE TREASURER

August 22, 2003

Honorable Mayor and City Council
City of Williamston
161 East Grand River Avenue
Williamston, Michigan 48895

RE: Report on Compliance and on Internal Control over Financial Reporting
Based on an Audit of Financial Statements Performed in Accordance With
Government Auditing Standards

Dear Council Members:

We have audited the financial statements of the City of Williamston as of and for the year ended June 30, 2003, and have issued our report thereon dated August 22, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance--As part of obtaining reasonable assurance about whether the City of Williamston's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance, which we have reported to the management of the City of Williamston in the accompanying comments and recommendations section of this report.

Internal Control Over Financial Reporting--In planning and performing our audit, we considered City of Williamston's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions.

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect City of Williamston's ability to record, process, summarize and report

financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying report on comments and recommendations.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being auditing may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we noted no matters involving internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the management, State and Federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Local Audit & Finance

Local Audit and Finance Division
Bureau of Local Government Services
Michigan Department of Treasury

CITY OF WILLIAMSTON

COMMENTS AND RECOMMENDATIONS

OTHER REPORTABLE CONDITIONS

Although the following are not considered material weaknesses in internal control, we wish to point out certain other reportable conditions for consideration by the management of City of Williamston.

OTHER REPORTABLE CONDITIONS

Treasurer--Current Tax Collection

Condition: During fiscal year 2002, we found that the city established the necessary "due to" accounts as noted in our finding in the prior year. However, we continue to find that there is no detail supporting the amounts recorded in this fund. Additionally, the amount recorded as a "due to" the General Fund did not correspond to any receivable balance in the General Fund.

Criteria: The Current Tax Collection Fund is used to account for current property tax collections due, not only the city, but other governmental units. This fund is an agency fund; thus, the fund should only have "cash" and "due to" accounts. Further, MCL § 211.43(c) (in addition to other distribution deadlines) requires that "A final adjustment and delivery of the total amount of tax collections on hand for the county, community college districts, intermediate school districts, school districts, and public transportation authorities shall be made not later than April 1 of each year." Therefore, at June 30th, the balance should only reflect amounts due other funds of the city. It is recommended that all funds due the city are also disbursed and that the balance is reduced to zero (or an established imprest balance to meet any minimum balance required by the bank).

Recommendation: We recommend that the city properly account for current tax collections utilizing accounts prescribed by the Uniform Chart of Accounts. Generally, this will be one cash account and multiple "due to..." accounts properly designating the units to which the cash is due. Note, that the Uniform Chart of Accounts prescribes an account "Undistributed Taxes;" however, this account is only a temporary account and should be regularly distributed to the appropriate "due to..." accounts.

Management's Response--Corrective Action Plan: Contact person is Lisa Hitchcock, Williamston City Manager, 161 East Grand River Avenue, Williamston Michigan, 48895. Telephone (517) 655-2774.

CITY OF WILLIAMSTON

COMMENTS AND RECOMMENDATIONS

STATUTORY COMPLIANCE

Our review of procedures for compliance with statutory requirements disclosed the following exceptions:

City Council--Budget Requirements

Condition: As detailed in Note H to the financial statements, we found actual 2003 expenditures exceeded the council's approved budget allocations for 8 General Fund activities.

Criteria: The expenditures of funds in excess of appropriations is contrary to the provisions of Section 17 of Public Act 621 of 1978. The city's 2002 General Appropriations Act (budget) provided for expenditures of the General Fund and the special revenue funds to be controlled to the activity level by the city.

Recommendation: We recommend that the council amend the budget as needed to prevent actual expenditures from exceeding those provided for in the budget as required by Public Act 621 of 1978.

Management's Response--Corrective Action Plan: Contact person is Lisa Hitchcock, Williamston City Manager, 161 East Grand River Avenue, Williamston Michigan, 48895. Telephone (517) 655-2774.

Treasurer--Old Outstanding Checks

Condition: We found that the bank reconciliation for the city's common checking account and tax roll account includes outstanding checks of over one year.

Criteria: MCL 567.234 and MCL 238, revised in 1997, includes the following:

"Property held for the owner by a court, state, or other government, governmental subdivision or agency, public corporation, or public authority that remains unclaimed by the owner for more than 1 year after becoming payable or distributable is presumed abandoned. The holder in possession of property presumed abandoned and subject to the state's custody as unclaimed property shall send written notice to the apparent owner not less than 60 days or more than 365 days before filing the report... Except as otherwise provided in this subsection, the report shall be filed on or before November 1 of each year for the 12-month period ending on the immediately preceding June 30th..."

Recommendation: We recommend that all checks over one year old be investigated. If the payee can be found, the money should be disbursed to that individual. If the payee cannot be found, they should be escheated to the State of Michigan according to the State statute.

Management's Response--Corrective Action Plan: Contact person is Lisa Hitchcock, Williamston City Manager, 161 East Grand River Avenue, Williamston Michigan, 48895. Telephone (517) 655-2774.

CITY OF WILLIAMSTON

COMMENTS AND RECOMMENDATIONS

STATUTORY COMPLIANCE (Continued)

Unlawful Expenditures

Condition: We found that the City of Williamston occasionally donates flowers upon the death of certain individuals.

Criteria: According to Attorney General Opinion No. 2346 of 1956, there is no statutory provision authorizing local units of government to make expenditures from public funds for the private purpose of purchasing flowers in times of death or illness. In addition to the lack of statutory authority, the expenditure of public funds for such a purpose is unlawful in principle. There can be no furtherance of the general public welfare of the local unit or its citizens in the expenditure of money of public funds for flowers for private occasions however worthy the motive of the giver.

Effect: The city expends public funds on nonpublic expenditures, in effect violating the statutory authority of the city.

Recommendation: We recommend that the City of Williamston discontinue the practice of donating flowers in times of death or illness using the city's funds.

Management's Response--Corrective Action Plan: Contact person is Lisa Hitchcock, Williamston City Manager, 161 East Grand River Avenue, Williamston Michigan, 48895. Telephone (517) 655-2774.